

The Debt Service Fund provides for repayment of government debt, collateralized by the full faith and credit of the City's taxing authority.

## Overview

Funding sources for debt payment include property taxes, sales taxes, transfers from other funds, special assessments and interest earnings.

The City's Debt Policy is:

- ✓ long-term borrowing (bonds) is confined to capital improvements and self-insurance programs;
- ✓ short-term debt is used for bond anticipation purposes;
- ✓ revenue bonds are issued for projects of enterprise funds;
- ✓ an aggressive retirement program be maintained for existing debt, ten years for City at-large debt and 15 years for special assessment debt;
- ✓ general obligation debt finances general purpose public improvements which cannot be financed from current (pay-as-you-go) revenues;
- ✓ special assessment general obligation debt is used to finance special benefit district improvements; and
- ✓ a minimum Debt Service Fund reserve of \$3 million be maintained.

A component of the debt policy is compliance with the legal debt limit. According to Kansas statutes, bonded indebtedness is not to exceed 30 percent of the sum of taxable tangible property valuation and motor vehicle assessed valuation within the jurisdiction.

Statement of Legal Debt Margin As of February 1, 2002	
2001 Tangible Valuation	\$2,190,262,919
2000 Motor Vehicle Property Assessed Value	306,303,265
<b>Equalized tangible valuation for computation of bonded indebtedness limitations</b>	<b>\$2,496,566,184</b>
<b>Debt limit (30 percent of \$2,496,566,184)</b>	<b>\$748,969,855</b>
Bonded indebtedness	341,887,307
Temporary notes	53,355,000
<b>Total Net Debt</b>	<b>395,242,307</b>
Less exemptions allowed by law:	
Airport	5,380,000
Sewer Improvements	57,458,120
Park Improvements	5,390,030
Sales Tax	63,500,000
Storm Water Drainage Utility	7,365,000
<b>Total deductions allowed by law</b>	<b>139,093,150</b>
Legal debt applicable to debt margin	256,149,157
<b>Legal debt margin</b>	<b>\$492,820,698</b>

## Finance and Operations

The budget maintains property tax support at the ten-mill level. No increases in property tax rates are assumed. Debt service estimates are based on the adopted 2002-2011 Capital Improvement Program.

The debt service projection includes general obligation local sales tax (GO-LST) bonds to finance construction of the Tyler/Maize and Woodlawn freeway interchanges

New revenue streams directly offset the debt service requirements for the Tourism and Convention (T&C) and Tax Increment Financing (TIF) Districts. Debt service for the Hyatt Parking Garage and Energy Complex are supported by transient guest taxes exclusive to the Hyatt Hotel. The debt service of the TIF Districts is supported by property tax resulting from the improvements in the respective areas.

The pay-as-you-go program consists of temporary note repayment. Temporary notes may be used for projects, which may not qualify for tax-exempt bond status and therefore, are repaid with higher interest taxable bonds. Pay-as-you-go financing reduces future debt service requirements by retiring obligations following short-term financing.

The target fund balance is budgeted at five percent of budgeted expenditures. Projects that are under construction, but not finalized, have caused the reserve level to increase. As the unfinished projects are completed, the fund balance will be reduced to the target level.

## **Revenue Assumptions**

### **Current property taxes...**

- in 2003 will grow at five percent, slowing to three and a half percent annually in 2004 and beyond. No change in the taxing rate is assumed.
- assume a ten-mill levy for all years.

### **Delinquent tangible property tax...**

- (for prior years) is projected at two percent (historical average) of current property taxes levied.
- Payments in lieu of property tax (PILOT)...
- are based on the City share of these payments from outstanding industrial revenue bonds.

### **Current special assessments (SAs)...**

- for 2002 and thereafter are the actual special assessments certified, less any advance or prepayments, as of December 31, 2001.
- assume a five percent delinquency rate.
- will change as new assessments are issued and as owners opt for advance payment of assessments.

### **Prepaid special assessments...**

- are from the City's payment schedules for these assessments, as of January 31, 2002.

### **Delinquent special assessments...**

- (for prior years) are estimated based on the historical relationship (three and a half percent) to total current and new special assessments.

### **Payments in lieu of special assessments (PILOSA)...**

- are developed by the Finance Department for GO/SA debt service paid directly by the Water, Sewer, and Airport utilities.

### **Utility delinquent special assessments...**

- are paid by the Water, Sewer and Storm Water utilities.
- are for unpaid general obligation assessments related to water and sewer projects.

#### **New special assessment revenues...**

- are projected to cover debt service (principal and interest) payments for new special assessment projects, less five percent delinquency.
- relate to debt service payment schedule assumptions below, under "Expenditure Assumptions."

#### **Motor vehicle property taxes...**

- are projected to grow three percent annually.
- are projected first as one total amount, then allocated to the General Fund and the Debt Service Fund.
- vary between the General and Debt Service Fund because of the state allocation formula, which relates to the prior (budget) year share of the current property tax levy for each fund.

#### **Interest earnings...**

- are based on an assumed investment earnings rate (four percent) relative to unencumbered fund balance and other total (current) revenues in the Debt Service Fund.

#### **City Hall parking/rent revenues...**

- are based on utilization of the City Hall parking facility pursuant to estimates provided by the Property Management division.

#### **Transfers in...**

- from the Tourism and Convention Fund and the Tax Increment Financing Districts are based on debt service schedules for general obligation projects related to these funds.
- is based on actual payment schedules for current GO debt funded by property tax and special assessments.
- for local sales tax (LST) projects include the amounts for actual (current) debt service (principal and interest).
- support debt service for the previous sales tax bond issues in 1992 and 1996 for \$50 million and \$25 million, respectively.

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## **Expenditure Assumptions**

#### **(GO) general obligation debt service...**

- is based on actual payment schedules for current GO debt funded by property tax and special assessments.

#### **GO/LST (local sales tax) debt service...**

- reflects the actual debt service schedule for current general obligation debt funded by the local sales tax.
- Includes projected future GO/LST debt service for freeway projects as approved in the 2002-2011 CIP.

**Fiscal agent/other...**

- Represents an estimate of bond issuance costs based on 0.1 percent of debt service for all current GO (paid by property tax, SAs and LST).

**Temporary note repayment...**

- represents a source available for pay-as-you-go financing.
- fluctuates to maintain fund balance at five percent of annual expenditures.

**New GO debt service paid from property tax...**

- is estimated as the principal and interest payments needed to fund approved and potential projects.
- assumes payments spread over a ten-year period at a 4.8 percent annual cost on outstanding principal.
- assumes commencement with one interest payment for six months of bond issuance, and principal payment beginning in the year following.

**New special assessment debt service...**

- is estimated as the principal and interest needed for special assessment projects of \$12.4 million annually.
- assumes payments are spread over a 15-year period at a 4.8 percent annual cost on outstanding principal with one interest payment between six and 12 months after bond issuance, depending on certification to the County, and principal payments beginning in the year following.

**Fund balance (December 31)**

- on December 31, 2002, is projected to be \$4,301,733 or 6.59 percent of fund expenditures.
- on December 31, 2003, is projected to be \$3,000,263 or 4.79 percent of fund expenditures.

<b>Debt Service Fund Budget Summary</b>					
	<b>2001 Actual</b>	<b>2002 Adopted</b>	<b>2002 Revised</b>	<b>2003 Adopted</b>	<b>2004 Approved</b>
General Property Tax	20,365,209	21,336,530	21,336,530	22,170,480	22,945,580
Special Assessments	25,597,836	25,138,760	25,138,760	24,686,070	24,013,390
Motor/Recreational Vehicle Tax	3,415,365	3,406,300	3,406,300	3,508,490	3,613,740
Interest Earnings	2,179,605	1,500,000	500,000	500,000	500,000
Transfers In/T&C	2,393,720	2,396,280	2,396,280	2,408,560	1,783,680
Transfers In/TIF Districts	841,367	1,346,740	1,346,740	1,400,460	1,342,150
Transfers In/Other	11,397,851	9,241,000	9,109,870	6,666,560	10,451,820
<b>Total Debt Service Fund Revenue</b>	<b>66,190,953</b>	<b>64,365,610</b>	<b>63,234,480</b>	<b>61,340,620</b>	<b>64,650,360</b>
Existing Debt	60,306,266	50,750,780	50,750,780	44,606,090	40,989,420
Temporary Notes	24,528,165	13,025,000	14,575,000	12,965,000	15,010,000
New Debt	0	1,551,000	0	5,071,000	8,651,000
Appropriated Reserves	0	0	0	0	0
<b>Total Debt Service Fund Expenditures</b>	<b>84,834,431</b>	<b>65,326,780</b>	<b>65,325,780</b>	<b>62,642,090</b>	<b>64,650,420</b>
Revenue Over (Under) Expenditures	(18,643,478)	(961,170)	(2,091,300)	(1,301,470)	(60)
<b>Debt Service Fund Balance</b>	<b>6,393,033</b>	<b>3,289,031</b>	<b>4,301,733</b>	<b>3,000,263</b>	<b>3,000,203</b>